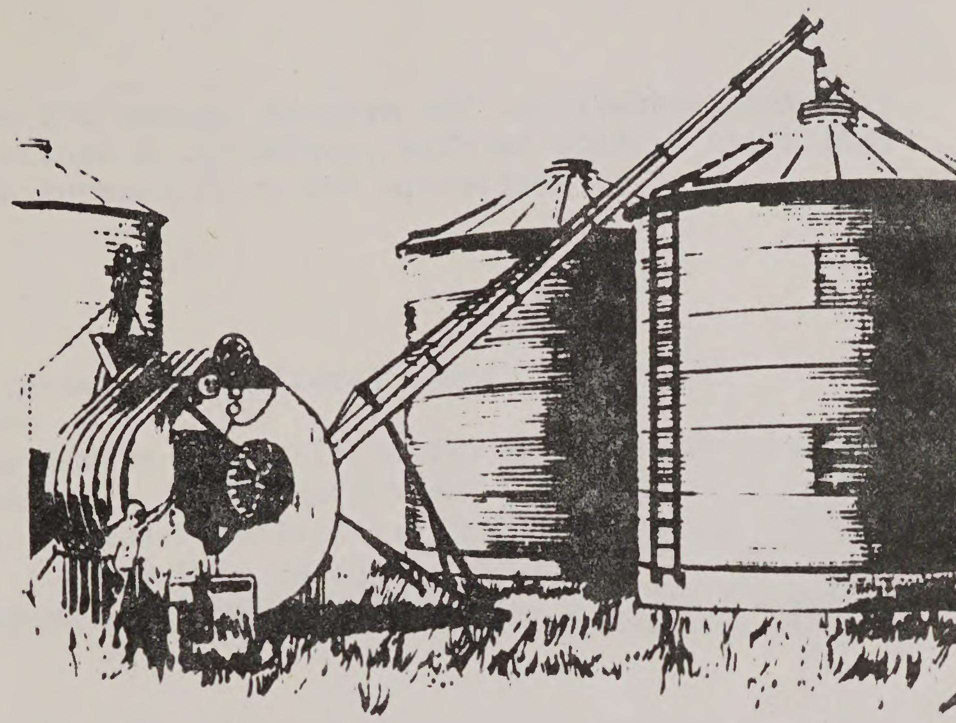
ASCS

PROGRAM REVIEW



Farm Storage and Drying Equipment Loan Program

JULY 15, 1976

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Stabilization and Conservation Service

FARM STORAGE AND DRYING EQUIPMENT LOAN PROGRAM REVIEW
Agricultural Stabilization and Conservation Service

Objective:

To review and analyze the current program and legislative authority, and take account of viable alternatives, with and without legislative change, as a guide to future policy and operations.

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Background:

The team was organized in early February 1976 under authority of a January 28, 1976 memo from the Administrator's office. Subsequently the team held 18 meetings and work sessions. The Administrator, together with the Coordinating Group and Executive Steering Group held report sessions with the team leader on three occasions.

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Farm Storage and Drying Equipment Loan Program Review

I. SUMMARY

Farm Storage Facility and Drying Equipment Loans have been available since 1949. Such loans for grain storage are mandatory, those for storage of other crops, and drying equipment loans are discretionary; authority for these programs is in the Commodity Credit Corporation (CCC) Charter Act.

The Charter Act authority is quite broad, requiring CCC to make loans to grain growers in order to "encourage the storage of grain on farms, where it can be stored at the lowest cost..", with payment in part stemming from the proceeds of price support loans. Over the course of 28 years, then, beginning in 1949, program outlay has ranged from about $7 million in 1953 to $157 million in 1973. These variations primarily reflect priority given to the program within the CCC budget; program provisions have been made more favorable when it was felt there was a need for increasing participation and wider coverage. In similar vein program provisions have been tightened when it was felt that less money should be devoted to it. The program has operated largely in a data vacuum. There is little information available on important matters such as the need for farm storage, or the amount, capacity and type, of such storage in place and usable. There is practically no information either on the amount of new farm storage constructed outside the program each year. Based on January 1, 1972 on-farm stocks, program storage capacity built since then, and an allowance for obsolescence and depreciation, the Review Team estimated--for purposes of this report--that current on-farm storage capacity may approximate 8 billion bushels or so. This would mean a total U.S. grain storage capacity of around 14 billion bushels, considering the Department's January 1, 1976 stocks report indicating off-farm storage capacity at 6.1 billion bushels.

The team made projections of the 1976-type program if continued through the 1981 fiscal year. A comparison of the results was made with 3 alternative programs which could be undertaken without a change of legislation. The team also examined 4 other alternatives which would involve legislation change.

The estimates and data are based upon supply projections which assume a continuation of the "market-oriented" farm program. Total U.S. grain supplies are projected to increase over the next several years, farm income prospects continue good. The estimates reflect a program interest rate of 7.5 percent, the same as currently in effect.

A. Highlights and Conclusions

1. Alternative Programs under Continuation of Current Legislation

a. Continue 1976 Program Provision without change.

This program would provide for a 70 percent maximum loan on both storage and drying equipment, with a one year storage needs determination on eligibility. The maximum loan amount

and the maximum outstanding aggregate remaining under loan is $25,000. Foundation, concrete, and wiring costs are ineligible for loans as are remodeling costs. The rate of interest on all loans would be 7.5 percent.

Conclusions: Program activity is projected to increase from $53 million in fiscal year 1977 to $72 million in fiscal year 1982. The number of loans would increase from 10,000 to around 10,900 during the same period.

b. Option A.

Revise the current program in four respects: (i) increase the amount loaned from 70 percent to 85 percent of net cost (ii) include concrete and wiring costs (materials and labor) in determining the amount of the loan--these items are not now included (iii) increase the maximum loan and aggregate outstanding balance from $25,000 to $50,000 (iv) revise the interest terms to provide that a loan would bear interest at the same rate for the life of the loan. Currently interest rates may be changed at any time.

Conclusions: The four changes involved here would not only increase CCC's share of on-farm financing, but also would have a stimulating effect on total on-farm construction. Amounts loaned are projected to increase from $104 million in fiscal year 1978 to $203 million in fiscal year 1982. The number of loans made would increase from an estimated 14,000 to 20,400 during the same period.

c. Option B.

The changes involve (i) basing the need for on-farm storage on two years' production of eligible crops, rather than one years' production currently used (ii) authorizing loans for wet storage facilities, oxygen-limiting and other silo-type structures (iii) include concrete and wiring costs in determining the loan amount and (iv) raising the maximum loan and aggregate outstanding balance to $50,000.

Conclusions: With the stated changes, the program is projected to increase amounts loaned from $93 million in the 1978 fiscal year to $182 million in the 1982 fiscal year. The number of loans would increase from about 15,000 to around 22,000 in the same period. The two most important factors affecting the level of participation are revising the determination of needs to include consideration of two years' production, and authorizing loans for wet-storage facilities. While this package of provisions would result in making more loans than under Option A, the amount loaned would be smaller because the loan would be based on 70 percent of eligible costs rather than 85 percent.

d. Option C.

This option would combine all of the new elements contained in both Options A and B. Briefly stated they include increasing the loan amount to 85 percent of net cost, basing needs on two years' production, authorizing wet-storage loans, including concrete and wiring costs in determining the loan amount, increasing the maximum loan and aggregate outstanding balance to $50,000, and maintaining a constant interest rate during the life of the loan.

Conclusions: This program package would be the most attractive from the farmers standpoint. Loans made are estimated to increase from around 16,600 in the 1978 fiscal year to perhaps 26,000 during the 1982 fiscal year. The amount loaned would rise from $125 million to about $263 million during the same period.

A summary of estimates for the current program and these three options appears below.

	FISCAL YEARS					
	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Continuation of current program						
Amount loaned ($ Mil.)	53.0	56.0	59.5	63.0	67.0	72.0
Capacity built (Mil. Bu.)	64.0	65.0	66.0	67.0	68.0	69.0
Number of loans	10,000	10,200	10,400	10,600	10,700	10,900
Option A						
Amount loaned ($ Mil.)		104	134	158	180	203
Capacity built (Mil. Bu.)		101	124	140	151	162
Number of loans		14,000	16,800	18,500	19,400	20,400
Option B						
Amount loaned ($ Mil.)		92	120	142	161	182
Capacity built (Mil. Bu.)		114	143	161	173	186
Number of loans		15,000	18,300	20,100	21,100	22,200
Option C						
Amount loaned ($ Mil.)		125	160	201	230	263
Capacity built (Mil. Bu.)		126	155	184	202	220
Number of loans		16,600	19,800	23,100	24,600	26,200

2. Alternative Programs Involving Change of Legislation

a. Transfer the program to the Farmers Home Administration (FmHA).

Conclusions: Program participation would not be materially different under FmHA direction than now. However, FmHA does not have a full-time county office located in every county or county combination, as applies to ASCS. This could mean--although not necessarily so--that participation may be slightly lower than under current arrangements.

b* Operate program in conjunction with a grain reserve.

Conclusions: Authority under which the active facility loan program is carried out is broad enough--in terms of program provision options--to assure the building of any facilities needed in the implementation of a reserve program. The facility loan program could be augmented by more favorable provisions applicable to participants in the reserve program. This would provide the necessary incentive to assure reaching the reserve objective. Exact provisions would depend upon the nature of the reserve program itself.

c. Government guaranteed loan program.

While terms and conditions would be established by government, eligible farmers would borrow directly from commercial finance institutions at locally prevailing interest rates. The terms and conditions need not necessarily be any different than otherwise.

Conclusions: This approach would replace a 100 percent government financed and operated program with a private sector program guaranteed by government. Thus, it would eliminate CCC outlays from the Budget. In this situation operation provisions could be based on programmatic objectives rather than budgetary restrictions. Program participation would likely be a little less than under present arrangements, but could be substantially less, depending mainly upon the extent of participation by banks and other lending institutions.

d. Discontinue the program.

Conclusions: Other lending sources would pick up some portion--but not all--of the financing now provided under this program. A number of factors affect program participation; important among these, for example, are the level of production, availability of credit, and the general state of the economy. While review team members have varying views on the subject the concensus viewpoint is that the private sector might finance about half of the loan volume expected under government financing.

*This alternative is listed here because legislation would be needed to implement a farm reserve program; no legislation would be required for the facility loan program.

II. HISTORICAL REVIEW

Loans for farm storage facilities for grains are mandatory, and have been available since 1949, following enactment of the applicable legislation. Drying equipment loans as well as farm storage facility loans for crops other than grains, while non-mandatory, also have been offered since 1949. Terms and conditions of these various loans have varied over the years, reflecting mainly the attitude of policy makers toward program emphasis. Simply stated, over the years program provisions have been made more favorable when there is an interest in increasing participation and widening program coverage. In like manner, program provisions have been tightened from time to time when it is felt the program should be given less priority in terms of fund allocation.

Unlike commodity loan programs, the storage and drying facilities loan program has not been subject to annual revision by the CCC Board. The program is characterized as "open-end" in the sense that it is authorized by the CCC Board, with no terminal date, and embodying broad delegation of authority to the Executive Vice President to determine most of the terms and operating provisions, including major provisions. The last major program change was approved by the Board on August 29, 1974.

There is practically no information available on the need for farm storage, or the amount, capacity and type, of farm storage in place and usable. The 1974 census collected some general information on farm storage which is scheduled to be released later this year. However, the data would not provide a sound basis for national projection because it is incomplete, includes only certain kinds of farms.

A. Program Objectives

Provide financial assistance through loans to producers needing on-farm storage and drying facilities for various agricultural commodities. Adequate storage and drying facilities enable the producer to use the commodity loan program to good advantage, and encourage the orderly marketing and utilization of commodities both on and off the farm.

B. Legislative Authority

1. Section 4 (h), of the CCC Charter Act, as amended, provides in part as follows:

   "- - - that to encourage the storage of grain on farms, where it can be stored at the lowest cost, the Corporation shall

B. Recommendations

1. The team concluded--based upon continuing participation and interest-- that the program should be continued, even though reliable information on the present capacity and type of usable farm storage and drying facilities is unavailable. Further, it was concluded that, in view of the broad legislative authority now existent, no change in legislation is needed. The concensus view is that the program should be expanded and broadened somewhat relative to provisions now in effect. Among changes the team viewed as favorable are (a) some increase in the loan amount above the 70 percent of net cost now in effect; (b) base storage needs on 2 years' production rather than 1. These two changes would be quite significant in broadening program eligibility and participation. There are others of course: including concrete and wiring costs in the loan base would be a significant move, but loans on this construction feature could not be recovered in a facility take-over upon default. In like manner, loans for wet storage structures, benefiting dairy and beef producers, would present a problem upon take-over in view of difficulty in disposing of the facility upon default.

   Broadening the participation base and expansion of the program would serve the best interests of both producers and consumers. There already is some evidence that farmers are holding production for a longer period, evening-up supplies over the season. This directional change leading to a stretch-out of marketings would be facilitated by an expansion of the storage loan program. The encouragement of on-farm storage construction strengthens the farmer's role in the marketing pattern, and is a useful adjunct to the market-oriented concept reflected in today's farm programs.

2. It is recommended that, at the earliest opportunity, a survey be undertaken to determine the amount, capacity and type of farm storage and drying facilities in place and usable. The Statistical Reporting Service would be the appropriate agency to conduct such a survey based upon an adequate sample and recognized techniques. Undoubtedly, opportunities will arise--as they have in the past--to obtain this needed information by addition of a few questions to other surveys this agency regularly makes. In this situation, costs would be considerably less than would apply if ASCS conducted a comparable survey on its own.

make loans to grain growers needing storage facilities when such growers shall apply to the Corporation for financing the construction or purchase of suitable storage, and these loans shall be deducted from the proceeds of price support loans or purchase agreements made between the Corporation and the growers."

This authority has been used to authorize farm facility loans for grain storage since 1949.

Loans for storage facilities for grain are mandatory.

2. Section 5 (b), of the CCC Charter Act, as amended provides that the Corporation is authorized to use its general powers to-- "Make available materials and facilities required in connection with the production and marketing of agricultural commodities."

   This authority has been used since 1949 to authorize loans for drying facilities for grains and for storage and drying facilities for various agricultural commodities other than grains.

   Loans under this authority are not mandatory.

C Program Operations

1. Administration

   Prior to 1967, two separate programs were in operation, one for storage facilities, and one for drying equipment.

   Effective July 1, 1967, the two programs were combined.

   At the national level the program is administered by the Grains, Oilseeds and Cotton (GOC) Division, Agricultural Stabilization and Conservation Service (ASCS), under the supervision of Deputy Administrator of Programs (DAP), ASCS. The program is carried out in the field through ASC State and County Committees.

   Within the framework of the national program provisions (See annex 1), County ASC Committees' have considerable latitude in acting upon individual loans applications. An estimated 95 percent of all loan applications fall within the approval or disapproval authority of the County ASC Committee.

2. Results

a. Program Objectives

Since early 1949, and running through June 30, 1975, this program has provided the Government, as well as farmers, a tool whereby grain and various other commodities may be stored on the farm until needed for either on-farm use or moved into commercial trade channels. Total storage capacity built under the program exceeds 2.3 billion bushels. During the period 1969-75, 1 billion bushels of storage capacity was financed under the program. Many farmers have participated in the program over the years. Over 437,000 loans have been made since 1949. Loans totaling $957 million have ranged from $7 million to $156.6 million annually. The bad debt ratio is below 1 percent of total loans made.

b. General Program Results

1. Table 1 shows national totals of number of loans made, dollars disbursed, and bushels of storage capacity constructed from inception of program through FY 1975. The table indicates that program activity has varied over the years. This is primarily due to changes made in program provisions which are described in more detail in table 2 for the period since May 29, 1969.

2. During fiscal years 1968 and 1969, program activity accelerated rapidly from disbursements of 15.7 million dollars in fiscal 1967 to 104.9 million dollars in fiscal 1969. To slow down this rapid acceleration, several restrictions were imposed effective May 30, 1969. The amount loaned on dryers was reduced from 85 percent to 65 percent. Oxygen-free and silo structures were ineligible. Basis for storage needs were reduced from two years to one year. Operating equipment was made ineligible, as was foundations, concrete, and wiring costs. Restrictions were instrumental in reducing disbursements in fiscal 1970 to 50.2 million dollars--some 33.9 million of which was due to loan commitments subject to the program provisions which was in effect prior to May 30, 1969. Less than 16 million were disbursed in fiscal year 1970 under the restrictions imposed May 30, 1969.

3. On April 1, 1970, several of the restrictions imposed in May 1969 were removed or modified to make possible some expansion in farm storage and drying capacity. Disbursements in fiscal 1971 totaled 30 million dollars.

4. In February of 1971, further liberalizations were made in program provisions, and in July 1971, loans were authorized for hay storage and loans for wet storage were reinstated. These changes combined with record crops, resulted in the dollars amount loaned in fiscal 1972 being the highest in program history, while the bushels of storage capacity financed was the second highest in program history. Activity continued to increase, setting new highs in outlays in fiscal 1973. Program provisions were changed in late 1973 to reduce activity in fiscal 1974 and 1975.

5. Table 3 shows breakdown by States of numbers of loans made, dollar amounts disbursed, and bushels of storage capacity, for FY 1968-1975. The considerable difference in activity among States is due to the different crops produced, availability of off-farm facilities, and the type of commodity loan program available such as reseal program for grains. The five most active States in numbers of loans in this period were, Iowa, Minnesota, North Dakota, Nebraska, and South Dakota. These five States are major corn producing States and were the States in which the reseal loan programs were most active.

D National Farm-Storage

As shown in Table 4, an attempt has been made to determine the national on-farm storage capacity. Several sources were investigated and all proved to be inconclusive. However, based on a study of January 1 stock levels for seven commodities and other assumptions, it is estimated that the current on-farm storage capacity is between 7.5 - 8.5 billion bushels. This along with the 6.1 billion bushels off-farm capacity would provide approximately 14 billion bushels of storage capacity nationwide.

E Other Comments or Observations

1. The extent to which producers use the program depends importantly on the attractiveness of the financing package offered, that is, on key factors such as the percent loanable, the items eligible for loan, the interest policy, etc. Other elements are also critical in terms of program participation; among these are the formula used to determine needs (one, two or three years' production); the size of the coming year's crop the accessibility of off-farm storage. Once the terms and conditions of a continuing program are announced all producers meeting the stipulated conditions are eligible for loans. Thus it would be difficult to curtail expenditures until major loan provisions are again changed. Even so, expenditures could be limited to a specific dollar amount under any program by cutting off approval of applications when available program funds have been allocated or obligated. Any such arrangement, however, may be legally questionable.

2. The time lag between applications, ordering of equipment, construction, and final disbursement is several months. This makes it almost impossible to time program actions (slowdowns or speedups) to coincide with the desired results if the desired time frame is a given fiscal or calendar year. Results of changes in program provisions are reflected in statistics somewhat later than might be hoped for, because it takes time for activity to gain momentum after the program has been slowed for a period of time. Likewise, once speeded up, momentum tends to continue well past the next program change date.

CURRENT MAJOR PROVISIONS
OF
FARM STORAGE AND DRYING EQUIPMENT LOAN PROGRAM

1. Loans are available to eligible borrowers for financing on-farm storage or drying equipment needs for the storage and drying of one or more specified commodities.

2. Who may be eligible?

   Farmers who:

   Produce one or more of the following commodities: Corn, oats, barley, grain sorghum, wheat, rye, soybeans, flaxseed, rice, dry edible beans, peanuts and sunflower seed.

   Need the proposed storage structure or drying equipment for storing or conditioning one or more of such commodities.

3. What kind of structure may be financed?

   New or newly constructed grain storage structures of conventional design.

   Multi-purpose structures providing the area not needed for storage is isolated or closed off from other areas. The amount of the loan will be based on the prorated cost of the space used for storage.

   Used structures purchased from CCC.

4. What type of drying equipment may be financed?

   New continuous-flow type dryers.

   New drying systems with wagons or trailers as integral parts thereof.

   New batch or in-store drying system (including integral parts and equipment) using heated or unheated air.

   New equipment which conditions or facilitates drying by aerating or circulating the commodity.

   Used drying equipment purchased from CCC.

5. What about operating equipment?

   Conditioning, handling, or operating equipment essential to the practical operation of the storage or drying unit may be included in a loan.

   Loans may also be approved to add individual items of equipment to an existing storage or drying unit when the equipment is considered necessary to make the existing unit more practical and efficient.

6. How much can be borrowed?

Up to 70 percent of the eligible cost of the structures and/or equipment not to exceed a maximum of $25,000. The aggregated outstanding balance of all loans to the applicant cannot exceed $25,000.

Eligible costs include:

The net purchase price of the structure or equipment.

Sales tax.

Costs for transportation, delivery, erection, or installation.

Exception: Labor of applicant or others usually employed on the farm is NOT eligible.

Costs of material and labor for concrete work and electrical wiring are NOT eligible.

7. What are the terms and repayment provisions?

The term of the loan is five years.

Repayments are set up for four equal annual installments. However, the loan may be paid off anytime.

The first installment is due and payable anytime in the 12-month period beginning one year from the date the loan is disbursed.

If an installment is due and payable, a deduction shall be made from any money due to the borrower from a commodity loan or purchase, reseal storage payment, deficiency payments, or set-aside payments.

8. What is the rate of interest?

Loans start to bear interest at the rate in effect on the date of disbursement The rate is subject to semiannual adjustment (up or down) throughout the life of the loan. The interest policy followed is identical to that applicable under commodity loan programs.

9. Where and when are applications filed?

Application for loans should be filed in the county where the records are kept.

Applications must be filed within 30 days of time the storage or equipment is delivered to the farm.

Applications expire 4 months after approval unless extended.

10. How is need for storage determined?

Basically, on a one year criteria, the production of the eligible crops on your farm in the calendar year in which your application is filed, minus the existing storage on the farm.

11. Who approves the loan?

Loans of less than $10,000 may usually be approved by the County ASC Committee.

12. What is the security for the loan?

A first lien on the storage or equipment is required on all loans.

This is usually obtained through a financing statement (UCC-1) and a promissory note and security agreement.

A lien on the real estate on which the property is located is required as additional security on all loans of $10,000 or over and for any loan at the discretion of the approving committee. Consent and disclaimer agreements, severance agreements, or subordination agreements may be required in certain situations to perfect security under the respective State Law.

13. From whom must the bin or equipment be purchased?

Major items such as bins or equipment must be purchased from an approved vendor. An approved vendor is one who has a signed and approved Form CCC-308 on file in the county office.

14. How much must be paid down?

A downpayment of at least the difference between the amount of the loan and the net cost of the farm storage or drying equipment shall be made by the loan applicant to the vendor before the loan is disbursed. Downpayment in excess of the minimum may be made by the borrower. The downpayment must be made in cash except that a reasonable trade-in allowance for farm equipment or other tangible property may be considered as cash.

The downpayment shall not include any discount, rebate, credit, deferred payment, post-dated check, or promissory not to the vendor.

15. What documentation or information must be furnished?

In addition to legal documents, the borrower shall furnish such information and documents as the State or county committee may request to support loan application, including financial statements, receipts, invoices, specifications, etc.

16. Who pays recording fees or charges for legal documents, surveys, or title search?

The borrower shall pay all necessary fees and charges except the fee for the filing of the UCC-1 or the chattel mortgage.

Table 1

FARM STORAGE AND DRYING EQUIPMENT LOAN ACTIVITY BY FISCAL YEAR 1949 - 1976

Fiscal Year	No. Loans	Million Bushels	Million Dollars
1949	3	.05	.05
1950	13,660	46.9	12.7
1951	8,535	37.6	10.6
1952	8,077	38.0	11.7
1953	5,447	22.9	7.1
1954	16,798	46.0	13.5
1955	19,502	70.9	19.8
1956	8,157	26.3	7.5
1957	8,728	27.8	7.6
1958	9,084	30.1	9.7
1959	15,826	64.7	18.3
1960	16,654	85.3	24.7
1961	12,663	62.5	18.8
1962	26,563	133.4	42.3
1963	16,667	70.4	24.4
1964	8,597	34.9	11.9
1965	6,070	25.2	8.7
1966	9,189	38.1	13.6
1967	8,398	40.4	15.7
1968	23,146	122.9	56.9
1969	43,268	281.9	104.9
1970	20,305	142.8	50.2
1971	12,363	74.0	30.0
1972	38,950	251.2	120.3
1973	41,046	313.5	156.6
1974	24,602	161.6	92.1
1975	5,660	33.5	22.8
1976 *	9,184	56.4	44.6
Rounded	437,000	2.3 (billion)	957 (million)

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Table 2
FARM STORAGE AND DRYING EQUIPMENT LOAN PROGRAM
(History of changes since 5-29-69)

MAJOR LOAN PROVISIONS EFFECTED BY CHANGES MADE SINCE 5-29-69	Status Prior to 5-30-69	Changes Made 5-30-69	Changes Made 4-1-70	Changes Made 2-13-71	Changes Made 7-1-71	Changes Made 3-30-72	Changes Made 1-16-73	Changes Made 10-19-73	Changes Made 10-1-74	Status As of 12-10-75
Maximum Loan for Storage	85 %	85%	85 %	85 %	85 %	85 %	85%	70 % *R	70 %	70%
Maximum Loan for Dryers	85 %	1/ 65% *R	2/ 85 % *L	4/ 85 % *L	85 %	85 %	85%	70 % *R	70 %	70%
Oxygen-Free Silo Structures Eligible	yes	no *R	no	no	5/ yes *L	yes	no *R	no	no	no
Basis of Storage Needs	2 years	1 year *R	2 years *L	2 years	2 years	2 years	1 year *R	1 year	1 year	1 year
Foundation, Concrete, Wiring Costs Eligible	yes	no *R	no	yes *L	yes	yes	no *R	no	no	no
Operating Equipment Eligible	yes	no *R	3/ yes *L	yes *L	6/ yes	7/ yes *L	8/ yes *R	yes	yes	yes
Loans to Add Operating Equipment to Installation	yes	no *R	no	yes *L	yes	yes	yes	yes	yes	yes
Loans for Remodeling	yes	no *R	no	no	no	no	no	no	no	no
Maximum Loan and Outstanding Aggregate	25,000	25,000	25,000	35,000 *L	35,000	35,000	25,000 *R	25,000	25,000	25,000
Interest Rate	4%	6% *R	7.5% *R	6% *L	6 %	5.5 % *L	6% *R	8.75% *R	9/ Variable *	10/ 7.5%

Change Key

* - Provisions Effected
R- Restrictive in Nature
L- Liberal in Nature

Footnote Key

1/ with 2,500 Limit
2/ with 5,000 Limit
3/ most items ineligible
4/ Removed 5,000 Limit
5/ Loans for Baled Hay Structures Included
6/ Not for Wet or Hay Storage
7/ Also eligible for Wet Storage
8/ Not for Wet or Hay Storage
9/ Adjusted Semiannually
10/ Adjusted as of 10-1-75

New Loan Data - Farm Storage Facility and Equipment, Fiscal Years 1968-76 - Continued

State	1974 Loans	1974 Amount	1974 Capacity	1975 Loans	1975 Amount	1975 Capacity	1976 Loans	1976 Amount	1976 Capacity
	Number	Dollars	Bushels	Number	Dollars	Bushels	Number	Dollars	Bushels
Ala.	328	1,036,067	1,333,004	77	264,954	252,792	211	759,879	672,655
Alaska	---	---	---	---	---	---	---	---	---
Ariz.	1	9,900	30,000	---	---	---	2	13,629	26,4[illegible]
Ark.	69	435,023	752,569	19	133,569	195,617	67	473,730	691,5[illegible]
Calif.	5	54,731	169,439	2	29,932	84,834	8	54,9[illegible]	72,707
Colo.	95	483,061	1,156,468	31	272,465	537,857	54	339,964	220,316
Del.	6	36,580	42,710	2	5,937	4,800	4	35,155	59,410
Fla.	84	326,582	324,829	38	163,044	63,274	69	288,849	107,246
Ga.	1,268	4,015,438	5,200,410	423	1,401,605	1,470,986	656	2,456,315	2,443,142
Idaho	201	472,483	1,735,969	113	281,947	1,005,889	122	358,575	1,011,762
Ill.	1,556	6,899,007	12,169,605	166	897,979	1,189,005	720	4,343,499	5,961,318
Ind.	1,535	7,454,336	11,516,593	330	1,755,492	2,484,438	666	3,904,745	5,236,265
Iowa	4,676	18,711,487	30,772,215	714	3,178,130	3,987,744	1,289	6,895,716	7,532,812
Kans.	1,080	4,132,990	8,874,223	163	671,352	1,272,202	177	830,166	1,229,251
Ky.	301	1,174,982	2,027,150	55	182,901	286,815	88	493,087	641,523
La.	46	328,077	669,271	10	62,647	118,676	13	101,820	138,423
Maine	---	---	---	---	---	---	1	1,846	5,500
Md.	34	224,990	359,090	23	151,405	216,882	22	127,407	200,115
Mass.	---	---	---	1	9,900	30,000	---	---	---
Mich.	452	2,003,499	3,271,217	211	897,414	1,135,048	274	1,499,591	1,591,905
Minn.	2,726	9,200,615	16,439,501	476	2,109,849	2,883,743	770	3,789,781	4,341,139
Miss.	105	493,114	836,319	34	169,835	281,913	67	513,020	737,412
Mo.	1,548	5,328,047	9,588,257	219	747,029	1,186,797	339	1,449,503	1,612,828
Mont.	227	459,434	1,849,888	57	96,464	384,101	220	643,831	1,885,716
Nebr.	2,594	10,500,212	20,806,942	398	1,849,256	3,805,514	730	3,861,201	6,293,058
Nev.	1	1,004	2,800	1	5,708	33,828	3	17,473	23,378
N. J.	11	56,247	125,028	13	63,572	78,286	10	60,009	51,844
N. Mex.	12	87,753	287,418	4	28,734	63,500	10	72,281	72,548
N. Y.	105	371,237	410,781	113	425,855	556,522	133	580,620	714,191
N. C.	651	2,254,460	2,719,520	370	1,436,668	1,476,932	280	1,155,342	687,681
N. Dak.	345	1,552,718	4,734,713	237	686,656	1,169,562	466	1,770,987	1,723,025
Ohio	726	3,572,014	5,039,005	203	889,793	1,227,009	466	2,530,258	3,252,737
Okla.	177	355,986	917,009	73	124,840	310,618	74	179,496	290,162
Oreg.	37	101,564	428,948	25	54,038	176,401	23	116,373	295,363
Pa.	55	210,266	300,521	62	264,007	300,662	61	278,183	262,661
S. C.	199	868,571	1,222,923	66	262,978	321,887	112	516,913	493,177
S. Dak.	1,249	2,909,142	6,741,015	257	568,594	1,286,048	212	730,116	1,193,824
Tenn.	404	1,467,686	2,376,647	87	325,264	510,122	135	556,138	785,788
Texas	74	362,831	581,286	57	188,108	308,925	38	143,681	256,477
Utah	62	115,489	359,979	30	109,576	362,610	23	96,137	277,157
Va.	557	2,099,880	1,901,392	290	1,149,359	1,071,588	266	1,203,232	684,646
Wash.	56	325,929	971,349	22	98,647	265,449	13	48,067	147,635
W. Va.	2	11,009	24,500	---	---	---	4	17,490	16,710
Wis.	412	1,505,693	2,388,672	185	799,112	1,098,361	272	1,267,721	1,667,585
Wyo.	30	57,290	148,990	3	8,998	32,445	14	39,323	146,260
Total	24,602	92,067,424	161,608,165	5,660	22,823,613	33,529,682	9,184	44,616,075	56,399,509

1976 data through 2/29/76.
R.C. No. GOC-19R

	1968			1969			1970		
	Loans	Amount	Capacity	Loans	Amount	Capacity	Loans	Amount	Capacity
	Number	Dollars	Bushels	Number	Dollars	Bushels	Number	Dollars	Bushels
Ala.	506	1,154,935	1,984,870	265	546,472	1,307,671	99	251,288	446,136
Alaska	---	---	---	1	2,529	---	---	---	---
Ariz.	---	---	---	2	29,356	30,000	---	---	---
Ark.	99	635,809	1,337,063	185	1,184,165	2,240,684	118	924,240	1,620,024
Calif.	12	108,930	175,090	23	205,185	450,544	8	41,284	175,420
Colo.	92	260,302	654,582	209	540,911	1,530,407	96	216,605	794,545
Del.	6	14,630	28,650	5	7,637	30,500	1	2,507	---
Fla.	173	546,922	742,857	166	481,778	655,409	63	213,860	227,858
Ga.	1,344	3,222,694	5,361,777	836	2,137,562	3,404,317	493	1,267,306	1,997,549
Idaho	439	747,534	2,450,577	820	1,552,094	6,014,461	329	659,593	2,468,722
Ill.	1,338	5,830,603	5,716,440	1,966	8,250,908	12,462,517	413	1,590,833	3,598,858
Ind.	899	3,365,812	3,621,771	1,469	5,531,024	8,096,104	387	1,200,738	2,601,757
Iowa	3,836	9,322,985	23,014,489	5,587	15,286,958	36,837,314	2,443	7,352,402	16,952,759
Kans.	460	789,934	2,580,324	1,190	2,123,752	7,110,023	647	1,154,631	3,941,912
Ky.	179	567,665	1,164,597	166	571,336	1,089,005	82	295,407	745,067
La.	51	532,562	993,278	92	895,813	1,744,814	63	795,211	1,438,616
Maine	---	---	---	---	---	---	---	---	---
Md.	29	62,069	173,328	21	50,798	119,420	4	7,461	8,400
Mich.	160	428,767	804,828	394	1,218,349	2.376,194	146	488,847	992,687
Minn.	2,957	6,365,702	16,911,145	7,248	16,131,320	51,811,810	3,307	7,866,190	24,527,411
Miss.	221	1,229,550	2,835,661	231	1,646,057	3,420,850	107	722,525	1,735,171
Mo.	1,057	2,388,410	4,863,424	2,408	6.464,147	13,705,636	628	1,704,699	3,871,463
Mont.	388	804,698	2,685,638	1,675	3,524,509	14,318,742	987	2,524,972	8,811,273
Nebr.	1,898	5,088,074	13,968,410	3,282	9,654,348	29,563,015	1,746	4,598,658	14,378,039
Nev.	1	1.662	5,780	1	1,328	7,890	1	3,939	10,023
N. J.	38	81,255	154,129	17	22,444	81,555	4	22,356	46,066
N. Mex.	20	85,656	292,584	22	81,594	293,311	13	57,881	216,292
N. Y.	317	582,574	926,533	311	427,888	1,178,291	41	93,260	167,176
N. C.	1,311	2,873,753	5,125,945	601	1,618,046	2,456,246	348	[illegible]	1,178,029
N. Dak.	1,193	1,287,998	5,603,770	6,973	9,073,452	36,227,774	4,171	5,961,113	[illegible]
Ohio	567	1,954.122	2,370,608	974	3,421,233	5,904,159	450	1,463,157	[illegible]
Okla.	153	183,904	550,745	427	649,485	1,772,098	298	457,208	1,279,407
Oreg.	29	64,636	181,533	31	96,326	356,625	68	280,854	877,102
Pa.	79	117,870	234,936	98	165,830	428,900	7	9,536	[illegible]
S. C.	430	1,197,302	2,606,562	391	777,975	1,558,390	143	521,371	[illegible]
S. Dak.	1,515	2,015,282	7,435,985	3,700	6,859,850	25,025,473	1,706	4,191,961	13,732,242
Tenn.	279	549,531	1,284,221	243	527,271	1,215,354	75	196,477	404,713
Texas	58	212,379	579,095	140	448,427	1,241,346	128	431,481	1,490,850
Utah	58	70,989	239,647	120	130,602	541,725	70	115,553	419,169
Va.	416	921,125	1,193,930	410	935,676	1,511,192	257	656,573	842,430
Wash.	36	143,730	337,449	56	236,438	749,398	74	311,264	1,013,573
W. Va.	---	---	---	3	6,306	11,750	---	---	---
Wis.	354	955,784	1,478,448	497	1,214,959	2,275,481	205	428,333	1,027,647
Wyo.	48	45,809	177,221	102	206,725	697,504	79	172,043	574,004
Total	23,146	56,868,948	122,897,920	43,268	104,938,863	281,853,879	20,305	50,240,360	142,791,175

Continued

NATIONAL ON-FARM STORAGE CAPACITY

Projections of farm storage needs would be much easier to make if reliable national data showing existing farm storage capacity were available. In an attempt to find reliable data, several sources were investigated. The results were inconclusive. The data obtained was either (1) fragmentary and did not follow any definable pattern that could be used to project an accurate national figure; (2) was based on an estimate; or (3) was found to be incomplete, when segments were compared to surveys conducted by some States and counties. Sources investigated included (a) ERS, (b) 1969 Census of Agriculture, (c) manufacturers (Behlen, Butler, Columbia and Stor-Mor), (d) State ASCS offices.

In an attempt to provide some indication of existing on-farm storage capacity, the following study was made.

The attached tables and chart reflect known historical data for production and storage capacity. The big unknown factor is the total quantity of on-farm storage. Since 1949, under the Farm Storage and Drying Equipment Loan Program, 2.3 billion bushels of on-farm storage have been constructed. For the purpose of this study we are assuming that the major portion of this capacity is still suitable for storage of grain. The off-farm storage capacity is determined annually by SRS and published in the January Grain Stocks report.

The January stock levels of commodities included in the study (see Table 4c) were reviewed for the 1949-75 period. On January 1, 1972, the on-farm stock level totaled 5.9 billion bushels, the highest recorded since 1949. We would therefore have to assume this is a minimum on-farm storage level. This was the last year that the reseal program was authorized and on-farm storage of grain at this time would have been near total capacity. Assuming on January 1, 1972, on-farm storage was at 85 percent capacity, total estimated capacity would have been 6.9 billion bushels. Since 1972, one-half billion bushels of on-farm capacity have been constructed under the FSDEL program. Therefore, it would seem possible that our current on-farm storage capacity would be between 7.5 - 8.5 billion bushels.

Based on above assumptions, the total estimated U. S. grain storage capacity would then be 14.1 billion bushels, (8.0 billion bushels on-farm plus 6.1 billion bushels off-farm as published in the January 1, 1976, Stocks Report). This storage capacity would be sufficient enough to have handled any one year production and carryover stocks (see Table 4a) of the commodities included in this study, to date. Estimated production plus carryover for 1980-81 is 15.1 billion bushels.

It could be concluded from this study that no additional storage is needed, however, it is recognized that much of the above storage is either out of location or excessive to one year's production plus carryover needs in some areas. Production and stock levels are expected

to continue to increase, thus demanding more storage space. Without more complete data for on-farm storage capacity and its location relative to need, it is difficult to assess our real needs for on-farm storage. However, we do feel a need for additional storage capacity still exists and will continue to exist for years to come.

TABLE 8 (A)

FEB. 23, 1976

1949-75 PRODUCTION --- STORAGE
CAPACITY (PSFL AND OFF-FARM)

OFFICIAL USE - P

LINE NO	NAME CAOP YEAR	WHEAT	CORN	SORGHUM	BARLEY	OATS	RYE	SOY BEANS	FLAX SEED	TOTAL PROD	TOTAL P/C STKS	PSFL CAPACITY	OFF-FARM CAPACITY	TOTAL CAPACITY
						MILLION BUSHELS								
1.0	1949	1098	2946	148	237	1220	18	234	43	5944	7501	0	2000	2000
2.0	1950	1019	2764	234	304	1369	21	299	40	6050	7694	47	2100	2147
3.0	1951	988	2629	163	257	1278	22	284	35	5656	7231	85	2175	2260
4.0	1952	1306	2981	91	288	1217	16	299	30	6228	7345	123	2400	2523
5.0	1953	1173	2882	110	247	1153	19	269	38	5897	7618	145	2600	2745
6.0	1954	984	2708	236	379	1410	26	341	41	6125	8336	191	2873	3064
7.0	1955	935	2893	243	403	1496	29	374	40	6413	9043	262	3100	3362
8.0	1956	1005	3075	205	377	1151	21	449	47	6330	9114	289	3300	3589
9.0	1957	956	3045	568	443	1290	29	483	25	6839	9671	316	3501	3817
10.0	1958	1457	3356	581	477	1401	33	580	37	7922	11136	347	3900	4247
11.0	1959	1118	3825	555	420	1050	23	533	21	7545	11552	411	4200	4611
12.0	1960	1355	3907	620	429	1153	33	555	30	8082	12263	497	4600	5097
14.0	1961	1232	3598	480	392	1010	27	679	22	7440	12091	550	4993	5543
15.0	1962	1092	3606	510	428	1012	41	669	32	7390	11515	692	5472	6164
16.0	1963	1147	4019	585	393	966	29	699	31	7869	11564	763	5471	6234
17.0	1964	1283	3484	490	386	852	32	701	24	7252	10868	798	5438	6236
18.0	1965	1316	4103	673	393	930	33	846	35	8329	11293	823	5435	6258
19.0	1966	1305	4168	715	392	803	28	928	23	8362	10619	861	5462	6323
20.0	1967	1508	4860	755	374	794	24	976	20	9311	11313	901	5496	6397
21.0	1968	1557	4450	731	426	951	23	1107	27	9272	11864	1024	5416	6440
22.0	1969	1442	4687	730	427	966	30	1133	35	9450	12509	1306	5339	6645
23.0	1970	1352	4152	684	416	917	37	1127	30	8715	11851	1449	5637	7086
24.0	1971	1618	5641	876	463	881	49	1176	18	10722	13032	1523	5697	7220
25.0	1972	1545	5573	809	423	692	29	1271	14	10356	13341	1774	5695	7469
26.0	1973	1705	5647	930	422	667	26	1547	16	10960	12850	2088	5510	7598
27.0	1974	1796	4664	629	304	614	19	1215	14	9255	10605	2249	5885	8134
28.0	1975	2134	5767	758	383	657	18	1521	15	11253	12428	2283	5918	8201

TABLE 4 (b)

FEB. 23, 1976 CARRYOVER STKS-1949-75 OFFICIAL USE - 0

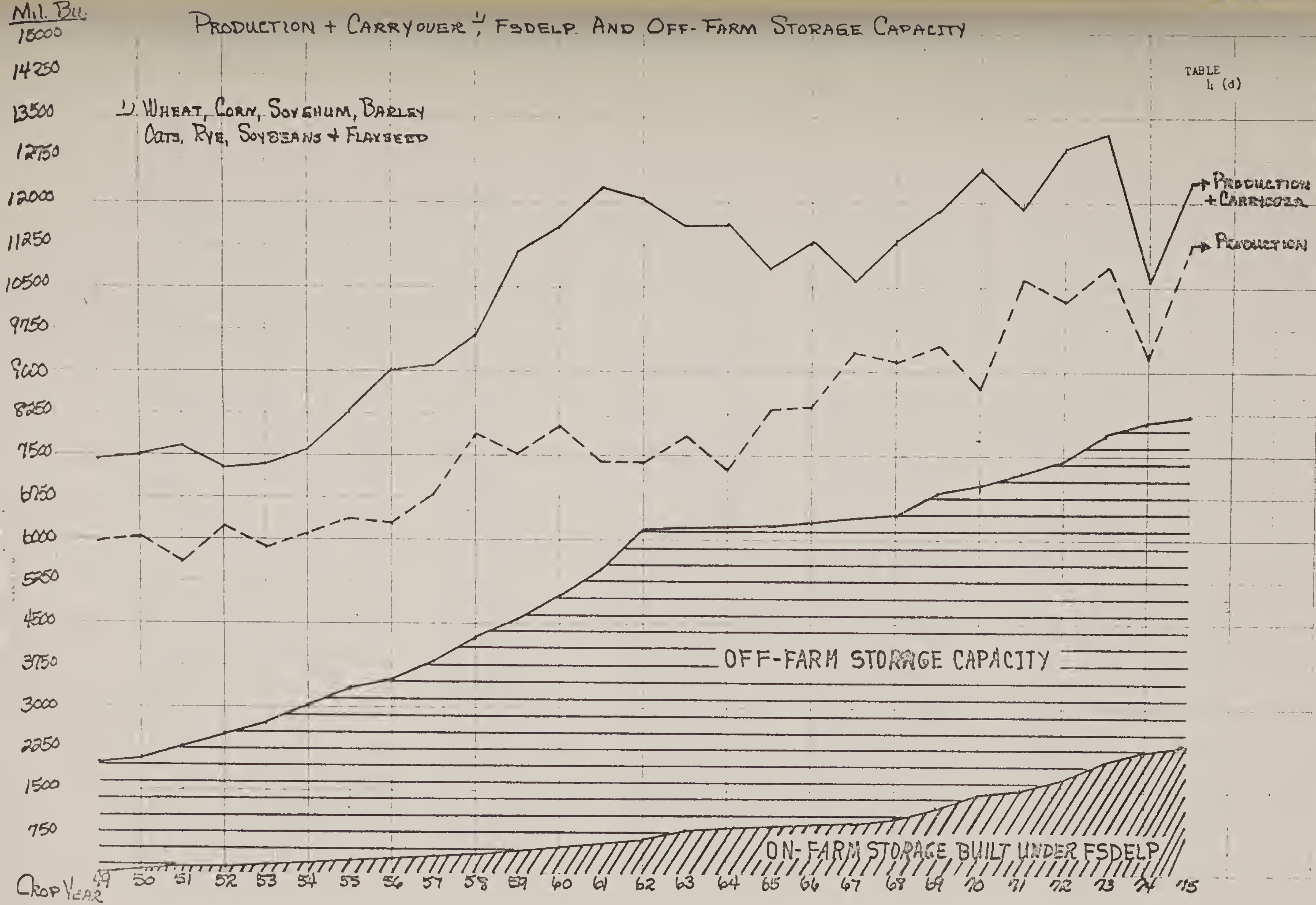
LINE NO	NAME CROP YEAR	WHEAT	CORN	RYE	OATS	BARLEY	SORGHUM	SOY BEANS	FLAX SEED	TOTAL
					MILLION BUSHELS					
1.0	1949	307	813	8	290	101	19	0	19	1557
2.0	1950	425	844	10	208	80	60	0	17	1644
3.0	1951	400	740	5	286	94	38	0	12	1575
4.0	1952	256	487	4	277	73	10	0	10	1117
5.0	1953	606	769	6	249	51	7	22	11	1721
6.0	1954	934	920	15	227	71	22	8	14	2211
7.0	1955	1036	1035	16	303	131	75	23	11	2630
8.0	1956	1033	1165	17	346	117	81	21	4	2784
9.0	1957	909	1419	7	240	127	79	32	19	2832
10.0	1958	881	1469	10	324	169	309	43	9	3214
11.0	1959	1295	1524	13	366	196	510	88	15	4007
12.0	1960	1313	1787	11	267	167	581	52	3	4181
14.0	1961	1411	2016	14	324	152	702	27	5	4651
15.0	1962	1322	1653	8	276	123	661	78	4	4125
16.0	1963	1195	1365	7	273	146	655	46	8	3695
17.0	1964	901	1537	5	312	132	649	67	13	3616
18.0	1965	817	1147	13	277	100	566	30	11	2961
19.0	1966	535	840	19	316	105	391	36	15	2257
20.0	1967	425	823	19	270	122	244	90	9	2002
21.0	1968	539	1162	18	273	138	289	166	7	2592
22.0	1969	819	1118	16	375	199	288	324	10	3149
23.0	1970	885	1005	21	490	237	246	230	22	3136
24.0	1971	731	667	28	512	156	91	98	27	2310
25.0	1972	863	1126	46	541	175	142	72	20	2985
26.0	1973	438	709	33	410	163	73	60	4	1890
27.0	1974	247	483	11	255	119	61	171	3	1350
28.0	1975	327	359	6	186	75	35	185	2	1175

TABLE 4 (c)

FEB 25, 1976 | ON-FARM STORAGE | OFFICIAL USE - 0

JANUARY STOCKS - 1949-75

LINE NO	NAME CROP YEAR	WHEAT	RYE	CORN	OATS	BARLEY	SORGHUM	SOY BEANS	FLAX SEED	TOTAL STOCKS
					MILLION BUSHELS					
1.0	1949	318	5	2480	770	105	54	75	12	3819
2.0	1950	336	7	2283	859	140	61	62	10	3758
3.0	1951	336	7	2109	822	124	78	102	12	3590
4.0	1952	405	4	1900	765	99	53	105	9	3340
5.0	1953	425	7	2158	745	109	25	84	17	3570
6.0	1954	321	10	2148	874	167	39	82	16	3657
7.0	1955	319	14	2117	938	192	60	148	16	3804
8.0	1956	294	7	2207	699	162	72	117	21	3579
9.0	1957	295	10	2329	846	212	59	170	9	3930
10.0	1958	457	13	2450	842	231	206	190	15	4404
11.0	1959	327	7	2368	689	197	184	202	7	3981
12.0	1960	422	12	2981	765	205	187	197	9	4778
13.0	1961	359	8	3055	693	180	217	172	7	4691
14.0	1962	317	14	3019	689	211	149	258	11	4668
15.0	1963	310	6	2958	678	195	178	226	10	4561
16.0	1964	390	11	3210	604	181	190	260	9	4855
17.0	1965	405	13	2737	660	185	154	191	14	4359
18.0	1966	409	10	3085	557	179	213	284	8	4745
19.0	1967	508	9	2899	549	185	234	344	7	4735
20.0	1968	581	9	3391	661	248	213	351	9	5463
21.0	1969	611	11	3276	724	265	222	409	13	5531
22.0	1970	531	15	3233	702	239	191	372	11	5294
23.0	1971	700	21	2723	686	256	155	392	7	4940
24.0	1972	694	22	3551	693	256	245	398	7	5866
25.0	1973	510	16	3689	556	246	219	429	4	5669
26.0	1974	363	18	3357	475	207	218	608	4	5250
27.0	1975	446	7	2541	384	125	123	484	4	4114



Mil. Bu.
Production + Carryover 1/, FSDELP. And Off-Farm Storage Capacity
Table 4 (d)
1/ Wheat, Corn, Sorghum, Barley Oats, Rye, Soybeans + Flaxseed
Production + Carryover
Production
Off-Farm Storage Capacity
On-Farm Storage Built Under FSDELP
Crop Year
15000
14250
13500
12750
12000
11250
10500
9750
9000
8250
7500
6750
6000
5250
4500
3750
3000
2250
1500
750
49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75

III. FUTURE -- CONTINUATION OF CURRENT LEGISLATION

A. Continue 1976 Program Provisions.

1. Program Objectives.

The objective of the program is to provide financial assistance through loans to producers needing on-farm storage and drying facilities for various agricultural commodities. Adequate storage and drying facilities encourage the orderly marketing and utilization of commodities both on and off the farm and enable the producer to use the commodity loan program to good advantage.

2. Program Administration.

A continuation of the present program provisions would provide for a 70 percent maximum loan on both storage and drying equipment, with a one year storage needs determination on eligibility. The maximum loan amount and the maximum outstanding aggregate remaining under loan is $25,000. Foundation, concrete, and wiring costs are ineligible for loans as are remodeling costs. The rate of interest on all loans would be 7.5 percent.

The Grain, Oilseeds, and Cotton Division of ASCS would administer the program under the general supervision and direction of the Deputy Administrator for Programs. On matters involving individual loans which otherwise require approval or other action by the Executive Vice President, the Deputy Administrator for Programs is authorized to give such approval or take such other action as may be necessary. The program would be carried out through ASCS State and County Committees.

3. Program Results.

With a continuation of the present program provisions, program activity is projected to increase from $53 million in fiscal year 1977 to $72 million in fiscal year 1982 (see Table 5). The number of loans made will increase from 10,000 to 10,900 during the same period.

There are many factors affecting the use of the farm storage and drying equipment loan program and the demand for farm storage in total. An assumption that is made when discussing these factors is that as the demand for farm storage increases, farmers use of the loan program also would increase although not always proportionately. A review of these factors may help to indicate the basis for our projections. An important factor is the total production, supply, and carryover of grains and soybeans. Record production for the 1975 crops plus an increase in ending stocks of grains and soybeans of 11.5 million tons over the previous year helped to cause activity in this program

to increase from $23 million in fiscal year 1975 to a projected $50 million in fiscal year 1976, with essentially the same program provisions in each year. Supply projections, based on a continuation of "market-oriented" farm programs, indicate that total U.S. grain supplies will continue to increase over the next several years (see Table 5a.), thus increasing the demand for storage. Another factor affecting the program is the difference between the commercial market rate of interest and the interest rate offered by the program. Over the next few years it is likely that commercial interest rates will stay somewhat above the current 7.5% interest rate that is assumed for the program. This makes the government program more attractive and thus leads to increased use of the program. A partially offsetting feature of the program is that only a portion of the total cost of the structure or facility is eligible for the loan.

Farm income also has an impact on the demand for storage. Net farm income for the past three years has been at record levels, and is expected to continue to be relatively high for the next five years, approaching $30 billion by 1981. With farmers in a better position financially, construction of storage and drying facilities will tend to increase.

The change in marketing methods by farmers in the last two to three years has also lead to increased demand for storage. More farmers are spreading out the marketings of their crops over the entire year to avoid the usually lower harvest-time prices. This increases the need for storage facilities, and thus the use of the loan program. Another factor which became more important last year as a result of an excellent harvest season was the time wasted waiting in line at elevators to unload grain for drying or storage. With continual good weather at harvest, most of the grain came to the elevator at roughly the same time, causing long lines and lost time. As storage and drying facilities become available on the farm, the farmer can avoid long lines and thus reduce total harvesting time. Closely related to the last factor is the availability and cost of off-farm storage. Last year many farmers found that off-farm storage was not available or was available only at high cost or in connection with a tie-in sale of a portion of the crop. This has lead to increased demand for on-farm storage to alleviate this problem. The continued shifting from harvesting ear corn to harvesting shelled corn has increased the demand for storage bins. As this shift continues, more farmers will find it necessary to construct new storage facilities.

Another important factor relating to the use of the loan program is the availability of commercial credit. In the past there has been some reluctance by banks to lend money for storage and drying

facilities because banks could earn a higher rate of return elsewhere on their money. Whether banks will continue to be able to earn higher rates elsewhere is difficult to determine, but this aspect does have an important impact on how much of the total demand for storage and drying facilities may be financed by the government. The Farm Credit Administration has been expanding its loan services the past few years, offering an increased source of borrowing for farmers.

In summary, there are many factors to be considered when estimating use of the farm storage and facility loan program. The difficulty in estimating activity is compounded by lack of reliable data on total farm storage available. However, the factors which were felt to have the most impact on the program, and thus weighed heavily in the projections, were the increasing total supply of grains and soybeans over the next few years, the slightly better interest rate offered by the program compared to market rates, and continued good income prospects for farmers.

4. Personnel Impact.

Projections of program activity over the next five years indicate that the number of loans will only increase from 10,000 to 10,900 during this period. The number of man-years required to service the loans will increase from 51 to 56 over this same period (see Table 5). This slight increase will have no impact on manpower needs.

B. Alternative Program Provisions - Option A.

1. Program Objectives.

Taking into account the objectives given in III.A.1., the projected increase in carryover (Table 5a.) may result in a need for additional on-farm storage and drying capacity beyond that which would be expected to be constructed under current program provisions as projected in Table 5.

Also, price increases over the years result in a lesser capacity being constructed for a given level of expenditure. Altering the current provisions as provided below would accomplish the program objective of additional expansion to the extent projected in Table 6.

2. Program Administration.

The program would be administered substantially as it is now except changes would be made in the following provisions.

a. Amount of Loan

Currently, any loan cannot exceed 70 percent of the net cost of the farmer's needed storage or drying equipment. This requires a down payment of 30 percent.

This would be changed to provide that any loan could not exceed 85 percent of the net cost of needed storage and drying equipment. This change would reduce the down payment requirement to 15 percent.

b. Concrete and Wiring Costs

Currently, the costs of material and labor cannot be included in determining the amount of the loan.

This would be changed to provide that the costs of material and labor could be included in the amount of the loan.

c. Maximum Loan and Aggregate Balance

Currently, the maximum loan and aggregate outstanding balance is $25,000. This would be changed to $50,000.

d. Interest Provision

Currently, loans start to bear interest at the rate in effect on the date of disbursement until adjusted by CCC. CCC has the authority to adjust or change the rate at any time.

This would be changed to provide that a loan would bear interest at the rate in effect on the date of disbursement for the life of the loan.

CCC would continue to review the rate annually or semiannually and change the rate as deemed necessary, but any change in rate would not affect loans previously disbursed.

3. Program Results.

Program activity with these four changes is projected to increase from $104 million in fiscal year 1978 to $203 million in fiscal year 1982 (see Table 6). An estimated 95 percent of this increase is due to the first two changes listed.

The provision having the most impact in this set of alternatives is the amount of loan. Increasing it from 70 to 85 percent automatically reduces the required down payment by 50 percent from 30 to 15 percent.

The provision with the second biggest impact is the one involving concrete and wiring. The costs of material and labor for these two items can represent as much as 25 percent of the out-of-pocket cost to the farmer. However, due to the non-recoverable nature of concrete and wiring, not all State and County Committees would favor including these items in the loan package.

The impact of changing the interest provision from a variable rate to a fixed rate for the life of the loan is hard to determine. The variable interest concept has not yet been widely accepted. Most State and County Committees feel that the variable rate has a negative effect on the program. A fixed rate for the life of the loan would have a slight effect on activity.

Raising the maximum loan ceiling or aggregate outstanding balance from $25,000 to $50,000 would stimulate activity a slight degree. Under the present provisions, few loans are made in excess of $10,000 (see Table 5b.),however, as farm units get bigger, and on-farm installations more complex and bigger, a higher number of farmers will need loans in excess of $25,000.

Experience tends to indicate that these changes would not only increase CCC's share of on-farm financing but would also have a stimulating effect on total on-farm construction.

4. Personnel Impact.

For this option, the number of loans made will increase from 14,000 in FY 1978 to 20,400 in FY 1982. The man-years required to service the loans will increase from 72 to 105 over this period (see Table 6). Even though the number of man-years required increases by over 40% during this period, the loan activity will be dispersed over many county offices so that there will be no significant impact on manpower needs.

ALTERNATIVE PROGRAM PROVISIONS - OPTION B

1. Program Objectives

The projected increase in carryover (table 5a) may result in a need for additional on-farm storage and drying capacity beyond that which would be expected to be constructed under current program provisions as projected in table 5.

Also, price increases over the years, result in a lesser capacity being constructed for a given level of expenditure. Altering the current provisions as provided below would accomplish the program objective of additional expansion to the extent projected in table 7.

2. Program Administration

The program would be administered substantially as it is now except changes would be made in the following provisions:

A <u>Need Determination</u>

Currently, in determining need for on-farm storage, only one year's production of crops is used.

This would be changed to provide that two year's production would be used.

B <u>Loans for Wet Storage</u>

Currently, loans are not authorized for wet storage; i.e., oxygen-limiting and other silo-type structures.

This would be changed to allow loans for wet storage facilities.

C <u>Concrete and Wiring Costs</u>

Currently, the costs of material and labor cannot be included in determining the amount of the loan.

This would be changed to provide that the costs of material and labor could be included in the amount of the loan.

D <u>Maximum Loan and Aggregate Balance</u>

Currently, the maximum loan and aggregate outstanding balance is $25,000; this would be changed to $50,000.

3. Program Results

Program activity with these four changes is projected to increase from $93 million in FY-78 to $182 million in FY-82 (see table 7).

The provision having the most impact in this set of options is changing the needs determination to allow needs to be considered on two year's production instead of one. Changing this provision would enable many producers who are currently ineligible for the loan program because of existing storage facilities to have access to the program to expand their current facilities. Expansion of storage facilities would allow them to spread out their marketing and avoid the unnecessary movement of carryover grain prior to harvest.

Authorizing loans for wet storage facilities also has a significant impact on program activity. This change is expected to increase the number of loans made by 15 to 20 percent. This is based on experience when loans for wet storage were previously authorized. This provision would allow dairy and beef producers needing facilities for haylage, silage, wet grain, etc., to use the loan program. One drawback to authorizing loans on wet storage facilities is the difficulty CCC would have in disposing of these facilities in case of default of the loan.

The concrete and wiring provision would also have considerable impact. The cost of material and labor can represent as much as 25 percent of the out-of-pocket costs to the farmers. Because of the non-recoverable nature of concrete and wiring, not all STC's and COC's would favor inclusion of this provision in the loan package. Because the concrete base or foundation of some wet storage structures are such an integral part of the structure, it is felt concrete and wiring costs should be considered as eligible costs for loan consideration if loans for wet storage are authorized.

Raising the maximum loan ceiling or aggregate outstanding balance from $25,000 to $50,000 would stimulate activity a slight degree as noted in Option A.

This package of program provisions results in a greater number of loans being made than under the program package outlined under Option A (see table 6). However, the dollar volume of loans made is less than under Option A because loans are based on 70 percent of eligible costs instead of 85 percent.

4. Personnel Impact

The number of man-years required to service loans under this Option increases from 77 in FY-78 to 114 in FY-82. Although the man-years required to service the loan volume under this Option Increases considerably, it is felt the increased volume could be handled without an increase in manpower. This being because of the dispersion of the additional loan volume throughout the Nation.

ALTERNATIVE PROGRAM PROVISIONS - OPTION C

1. Program Objectives

The projected increase in carryover (table 5a) may result in a need for additional on-farm storage and drying capacity beyond that which would be expected to be constructed under current program provisions as projected in table 5.

Also, price increases over the years, result in a lesser capacity being constructed for a given level of expenditure. Altering the current provisions as provided below would accomplish the program objective of additional expansion to the extent projected in table 8.

2. Program Administration

The program would be administered substantially as it is now except changes would be made in the following provisions:

A Amount of Loan

Currently, any loan cannot exceed 70 percent of the net cost of the farmer's needed storage or drying equipment.

This would be changed to provide that any loan could not exceed 85 percent of the net cost of needed storage and drying equipment.

B Need Determination

Currently, in determining need for on-farm storage, only one year's production of crops is used.

This would be changed to provide that two year's production would be used.

C Loans for Wet Storage

Currently, loans are not authorized for wet storage; i.e., oxygen-limiting and other silo-type structures.

This would be changed to allow loans for wet storage facilities.

D Concrete and Wiring Costs

Currently, the costs of material and labor cannot be included in determining the amount of the loan.

This would be changed to provide that the costs of material and labor could be included in the amount of the loan.

E <u>Maximum Loan and Aggregate Balance</u>

Currently, the maximum loan and aggregate outstanding balance is $25,000; this would be changed to $50,000.

F <u>Interest Provision</u>

Currently, loans start to bear interest at the rate in effect on the date of disbursement until adjusted by CCC. CCC has the right to adjust or change the rate every six months.

This would be changed to provide that a loan would bear interest at the rate in effect on the date of disbursement for the life of the loan.

3. Program Results

This program package combines the provisions of Option A and B. Option C would be the most attractive from the farmer's viewpoint. The number of loans made under this option increases about 60 percent for FY-78 and over 2.5 times in FY-82 over current program projections. The reason for the larger increase in the latter years is due to the continual offering of a more complete loan package.

Our estimates of loan activity for this Option were based on similar program provisions offered under previous programs.

Previous experience indicates that farmers are interested in a package that offers them financing for a total turn-key installation. If adjustments are to be made in the program it would be suggested that changes be made in the loan amount and interest rates rather than eliminating parts of the total loan package.

4. <u>Personnel Impact</u>

Man-years required to service loans under this Option increases from 85 in FY-78 to 134 in FY-82. Although the man-years required to service the projected loan volume under this Option increases significantly, it is felt the increased workload could be handled without an increase in manpower. However, depending upon the volume of loan activity in some counties, an increase in manpower could be necessary. It is thought that the increase in manpower, if any, would be minimal.

LINE NO	NAME	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
22.0	WHEAT-MIL BU								
22.1	-----------								
24.0	PRODUCTION	1796	2134	2025	2236	2191	2172	2188	2210
26.0	SUPPLY	2045	2463	2570	2997	3182	3294	3367	3407
28.0	DEMAND	1718	1920	1810	2007	2061	2116	2171	2217
30.0	CARRYOVER	327	543	760	990	1121	1178	1196	1190
32.0	SEASON AVE PR-$	4.09	3.55	3.10	2.60	2.45	2.35	2.30	2.30
34.0		========	========	========	========	========	========	========	========
36.0	FEED GRAINS-M.TN								
36.1	---------------								
38.0	PRODUCTION	165.3	202.4	219.3	220.5	224.0	231.0	235.7	240.6
40.0	SUPPLY	188.0	218.7	237.6	253.9	262.6	269.3	272.5	274.2
42.0	DEMAND	172.2	200.7	204.5	215.7	224.5	232.8	239.3	245.6
44.0	CARRYOVER	15.8	18.0	33.1	38.3	38.0	36.5	33.3	28.5
46.0	SEASON AVE PR-$	106.67	87.83	71.08	62.06	63.92	65.55	70.79	77.93
48.0		========	========	========	========	========	========	========	========
50.0	SOYBEANS-MIL BU								
50.1	---------------								
52.0	PRODUCTION	1215	1521	1350	1470	1540	1580	1595	1610
54.0	SUPPLY	1386	1706	1630	1660	1720	1785	1830	1845
56.0	DEMANL	1201	1426	1440	1480	1515	1550	1595	1635
58.0	CARRYOVER	185	280	190	180	205	235	235	210
60.0	SEASON AVE PR-$	6.64	4.63	4.75	4.35	4.35	4.25	4.60	4.85
62.0		========	========	========	========	========	========	========	========
64.0	TOTAL GRAINS								
64.1	(MIL TONS)								
64.2	-------------								
66.0	PRODUCTION	255.6	312.0	320.5	331.7	335.9	343.6	349.2	355.2
68.0	SUPPLY	290.9	343.8	363.6	393.6	409.7	421.7	428.4	431.8
70.0	CARRYOVER	31.2	42.7	61.6	73.4	77.8	78.9	76.2	70.5
72.0	SEASON AVE PR								
72.1	($/TON)	129.27	103.81	88.22	78.06	78.54	78.48	83.21	89.08
74.0		========	========	========	========	========	========	========	========
76.0	NET FARM INCOME								
76.1	(BILLION $)	26.1	23.2	23.7	25.5	25.9	28.1	29.3	30.6
78.0		========	========	========	========	========	========	========	========

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Table 5b.

FARM STORAGE, DRYING EQUIPMENT, COMBINATION, WET STORAGE AND HAY STORAGE LOAN DISBURSEMENTS
BY SIZE OF LOAN

NATIONAL SUMMARY

FISCAL YEAR 1975

LOAN PRINCIPAL	ALL LOANS NUMBER LOANS	ALL LOANS % TOTAL NO. LOANS	ALL LOANS TOTAL VALUE -DOLLARS-	FARM STORAGE NUMBER LOANS	FARM STORAGE % TOTAL NO. LOANS	FARM STORAGE TOTAL VALUE -DOLLARS-	DRYING EQUIPMENT NUMBER LOANS	DRYING EQUIPMENT % TOTAL NO. LOANS	DRYING EQUIPMENT TOTAL VALUE -DOLLARS-	COMBINATION NUMBER LOANS	COMBINATION % TOTAL NO. LOANS	COMBINATION TOTAL VALUE -DOLLARS-
1 - 500	2[illegible]2	3.5	79,787	171	7.7	69,000	28	1.9	10,247	3	.1	54[illegible]
501 - 1000	598	10.6	450,587	438	19.7	327,702	142	10.2	108,766	18	.9	14,119
1001 - 1500	462	8.1	580,698	325	14.7	408,130	87	6.2	107,629	50	2.4	64,929
1501 - 2000	454	8.1	789,191	268	12.1	462,926	69	4.9	119,950	117	5.7	216,315
2001 - 3000	752	13.2	1,867,499	369	16.6	902,032	121	8.6	306,182	262	12.9	659,285
3001 - 4000	778	13.8	2,716,651	215	9.7	750,164	210	15.0	729,156	353	17.3	1,237,331
4001 - 5000	741	13.1	3,336,783	137	6.2	623,017	243	17.3	1,092,796	361	17.6	1,6[illegible],97[illegible]
5001 - 10000	1,609	28.4	11,831,807	285	12.9	2,108,834	490	34.9	3,637,622	834	40.9	6,[illegible]85,451
OVER - 10000	64	1.2	1,170,550	8	.4	161,521	13	1.0	213,634	43	2.2	795,395
NATIONAL TOTAL	5,660	100.0	22,823,553	2,216	100.0	5,813,326	1,403	100.0	6,325,982	2,041	100.0	10,654,245

NATIONAL SUMMARY

FISCAL YEAR 1974

LOAN PRINCIPAL	ALL LOANS NUMBER LOANS	ALL LOANS % TOTAL NO. LOANS	ALL LOANS TOTAL VALUE -DOLLARS-	FARM STORAGE NUMBER LOANS	FARM STORAGE % TOTAL NO. LOANS	FARM STORAGE TOTAL VALUE -DOLLARS-	DRYING EQUIPMENT NUMBER LOANS	DRYING EQUIPMENT % TOTAL NO. LOANS	DRYING EQUIPMENT TOTAL VALUE -DOLLARS-	COMBINATION NUMBER LOANS	COMBINATION % TOTAL NO. LOANS	COMBINATION TOTAL VALUE -DOLLARS-
1 - 500	984	3.9	386,774	873	8.3	343,981	93	2.3	34,975	18	.1	7,818
501 - 1000	2,852	11.6	2,127,552	2,357	22.7	1,740,927	375	9.5	285,479	120	1.2	101,146
1001 - 1500	2,230	9.1	2,767,882	1,634	15.7	2,014,513	271	6.8	331,671	325	3.2	420,338
1501 - 2000	2,118	8.6	3,723,508	1,289	12.4	2,257,197	221	5.6	388,389	608	5.9	1,077,922
2001 - 3000	3,448	14.0	8,619,559	1,629	15.7	4,016,592	377	9.5	954,625	1,441	14.1	3,645,625
3001 - 4000	3,217	13.1	11,265,038	930	8.9	3,197,170	587	14.8	2,082,818	1,699	16.6	5,981,352
4001 - 5000	3,239	13.1	14,644,684	688	6.6	3,098,686	621	15.7	2,800,328	1,928	18.8	8,736,876
5001 - 10000	6,340	25.8	45,336,120	962	9.3	6,826,939	1,400	35.3	10,112,221	3,970	38.8	28,329,007
OVER - 10000	174	.8	3,196,241	33	.4	535,104	16	.5	271,483	120	1.3	2,294,311
NATIONAL TOTAL	24,602	100.0	92,067,358	10,395	100.0	24,031,109	3,961	100.0	17,261,989	10,229	100.0	50,594,395

NATIONAL SUMMARY

FISCAL YEAR 1973

LOAN PRINCIPAL	ALL LOANS NUMBER LOANS	ALL LOANS % TOTAL NO. LOANS	ALL LOANS TOTAL VALUE -DOLLARS-	FARM STORAGE NUMBER LOANS	FARM STORAGE % TOTAL NO. LOANS	FARM STORAGE TOTAL VALUE -DOLLARS-	DRYING EQUIPMENT NUMBER LOANS	DRYING EQUIPMENT % TOTAL NO. LOANS	DRYING EQUIPMENT TOTAL VALUE -DOLLARS-	COMBINATION NUMBER LOANS	COMBINATION % TOTAL NO. LOANS	COMBINATION TOTAL VALUE -DOLLARS-
1 - 500	1,381	3.3	567,117	1,143	5.2	477,283	226	4.0	84,495	12	.1	4,375
501 - 1000	5,297	12.9	3,985,390	4,358	20.1	3,272,990	816	14.8	613,116	120	1.0	95,926
1001 - 1500	3,978	9.7	4,913,544	3,245	14.9	3,990,561	412	7.4	506,399	314	2.8	406,859
1501 - 2000	3,386	8.2	5,923,701	2,477	11.5	4,320,150	269	4.8	465,763	630	5.5	1,119,715
2001 - 3000	5,796	14.2	14,490,121	3,612	16.6	8,929,669	555	10.1	1,424,089	1,558	13.7	3,953,931
3001 - 4000	5,156	12.5	18,009,547	2,124	9.8	7,338,703	889	16.0	3,138,504	1,924	16.9	6,755,580
4001 - 5000	4,963	12.1	22,488,824	1,478	6.8	6,677,292	917	16.6	4,151,390	2,191	19.2	9,931,558
5001 - 10000	10,608	25.9	76,768,168	3,128	14.4	22,863,051	1,437	25.9	10,065,995	4,427	38.9	31,239,145
OVER - 10000	481	1.2	9,416,592	137	.7	2,615,507	17	.4	298,228	212	1.9	4,322,780
NATIONAL TOTAL	41,046	100.0	156,563,004	21,702	100.0	60,485,2[illegible]6	5,538	100.0	20,747,979	11,388	100.0	57,930,869

Table 5

JUNE 7, 1976

FARM STORAGE & DRYING EQUIPMENT
LOAN PROGRAM ACTIVITY-1974-81

CONTINUATION OF 1976 PROGRAM

NAME	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
FSDELP ACTIVITY								
VOLUME-MIL $	22.8	49.5	53.0	56.0	59.5	63.0	67.0	72.0
CAPACITY (MIL BU)	33.5	62.7	64.0	65.0	66.0	67.0	68.0	69.0
NUMBER OF LOANS	5660	9860	10000	10200	10400	10600	10700	10900
AVE SIZE LOAN ($	4030	5020	5275	5465	5700	5950	6275	6580
MAN-YEARS REQU`D TO SERVICE LOANS	29	51	51	52	53	54	55	56

Table 6

JUNE 7 1976

FARM STORAGE & DRYING EQUIPMENT
LOAN PROGRAM ACTIVITY-1974-81

<u>OPTION A</u> (beginning in 1977-78)

NAME	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
FSDELP ACTIVITY								
VOLUME-MIL $	22.8	49.5	53.0	104.0	134.0	158.0	180.0	203.0
CAPACITY (MIL BU)	33.5	62.7	64.0	101.0	124.0	140.0	151.0	162.0
NUMBER OF LOANS	5660	9860	10000	14000	16800	18500	19400	20400
AVE SIZE LOAN ($	4030	5020	5275	7425	7975	8540	9275	9950
MAN-YEARS REQU`D TO SERVICE LOANS	29	51	51	72	86	95	99	105

OPTION A INCLUDES:
(a) 85% Loan
(b) Include Concrete & Wiring costs
(c) Fixed Interest Rate for Term of Loan
(d) Maximum Loan Amount - $50,000

Table 7

JUNE 7, 1976

FARM STORAGE & DRYING EQUIPMENT
LOAN PORGRAM ACTIVITY-1974-81

OPTION B (beginning in 1977-78)

NAME	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
FSDELP ACTIVITY								
VOLUME-MIL $	22.8	49.5	53.0	93.0	120.0	142.0	161.0	182.0
CAPACITY (MIL BU)	33.5	62.7	64.0	114.0	143.0	161.0	173.0	186.0
NUMBER OF LOANS	5660	9860	10000	15000	18300	20100	21100	22200
AVE SIZE LOAN ($	4030	5020	5275	6200	6555	7065	7630	8200
MAN-YEARS REQU`D TO SERVICE LOANS	29	51	51	77	94	103	108	114

OPTION B INCLUDES:
(A) Concrete and Wiring Costs
(b) Maximum Loan Amount - $50,000
(c) Wet Storage
(d) Needs Determination - 2 years

Table 8

JUNE 7, 1976

FARM STORAGE & DRYING EQUIPMENT
LOAN PROGRAM ACTIVITY-1974-81

OPTION C (beginning in 1977-78)

NAME	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
FSDELP ACTIVITY								
VOLUME-MIL $	22.8	49.5	53.0	125.0	160.0	201.0	230.0	263.0
CAPACITY (MIL BU)	33.5	62.7	64.0	126.0	155.0	184.0	202.0	220.0
NUMBER OF LOANS	5660	9860	10000	16600	19800	23100	24600	26200
AVE SIZE LOAN ($	4030	5020	5275	7530	8080	8700	9350	10040
MAN-YEARS REQU`D TO SERVICE LOANS	29	51	51	85	101	118	126	134

OPTION C INCLUDES:
(a) 85% Loan
(b) Concrete and Wiring Costs
(c) Fixed Interest Rates
(d) Maximum Loan Amount - $50,000
(e) Wet Storage
(f) Needs Determination - 2 years

IV. FUTURE -- WITH NEW LEGISLATION

A. Transfer The Farm Storage and Drying Equipment Loan Program to Farmers Home Administration.

1. Program Objectives.

The objective is to provide financial assistance through loans to producers needing on-farm storage and drying facilities for various agricultural commodities. Transfer of this program to FmHA would concentrate the administration of all farmer loan programs in the Department in the same agency, except the commodity price support programs administered by ASCS.

2. FmHA Background.

The Farmers Home Administration (FmHA) provides a variety of credit services to farmers, rural residents, and communities. This includes farm loans, individual and multiple housing, business and industry, and community facility loans. The FmHA presently administers all loan programs in the Department to individual farm operators, with the exception of the Farm Storage and Drying Equipment Loan Program and Commodity Price Support Loan programs. These programs are administered by the Agricultural Stabilization and Conservation Service (ASCS).

FmHA loan programs mainly fall into two categories--guaranteed loans or insured loans. Guaranteed loans are made and serviced by a private lender with the FmHA guaranteeing to limit any loss to a specific percentage. Insured loans are made and serviced under FmHA policies and procedures. Insured notes are sold to investors backed by the full faith of the Federal Government. Some loan programs receive direct appropriations.

Farm loan applicants must be determined eligible for FmHA assistance by a local county or area committee before a loan can be made. The committee consists of three persons who know local farming and credit conditions. After the loan is made, the applicant must be the owner or operator of not larger than a family farm. A family farm is defined as one for which the applicant and his immediate family provide the management and a major portion of the required labor. To qualify, each applicant must be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance his actual needs.

The FmHA is presently authorized to make loans for farm storage and other necessary farm facilities under its farm operating and farm ownership loan programs.

Farm Operating Loans: Operating loans enable family farm operators to acquire needed resources, to improve the use of their land and labor resources and make adjustments necessary for successful farming, recreation, and nonfarm enterprises. Funds may be advanced to: pay for equipment, livestock, feed, seed, fertilizer, other farm and home operating needs; develop income-producing recreation and other nonfarm enterprises. These loans are accompanied by technical management assistance.

The interest rate is established annually by the Secretary of the Treasury using a treasury cost of borrowing formula established by law. The 1976 fiscal year rate is 8½ percent per annum. Operating loans may be repaid over periods from one to seven years, with a five year renewal provision. The borrowers total principal indebtedness for these loans may not exceed $50,000. Operating loan borrowers are expected to refinance their Operating loans and return to conventional sources of credit as soon as they are able to do so.

Farm Ownership Loans: Farm Ownership loans are made to family farmers to purchase, develop, or expand farm units. Technical management assistance is provided to applicants when needed. Loans are used to buy or enlarge farms, construct, improve, or repair farm homes or service buildings, drill wells and improve water supply systems for home use, livestock and irrigation and to refinance debts. Nonfarm and recreation enterprises on family farms may also be financed with Farm Ownership loans to supplement the farm income.

The interest rate is 5 percent per year on the unpaid principal. Farm Ownership loans may be amortized up to a maximum of 40 years, maximum amount of these loans is limited by statute to $100,000 or the market value of the farm, whichever is less. Each borrower is expected to refinance the unpaid balance of the loan when it is possible for him to rely on commercial credit sources.

3. Legislative Authority.

New legislation might be needed to transfer program responsibility to FmHA, with that agency funding the program through CCC. Change of legislation would be needed if FmHA were to have responsibility and operate the program through other funding arrangements, such as appropriated funds or Treasury borrowings.

4. Program Administration.

Transfer the responsibility for administering the Farm Storage and Drying Equipment Loan Program to the FmHA. It is proposed

that the Farm Storage and Drying Equipment Loan Program would be administered by the FmHA under the same authorizations as are presently being used by ASCS, ie through Commodity Credit Corporation (CCC) financing. The transfer would have no impact on the program provisions. The assumption is the program would continue unchanged with the same provisions as are now in effect, or as might apply under ASCS direction. The FmHA requirements relative to the family farm and use of credit would not be applicable to this program. It would continue to serve the full range of farm operators. An educational program would be necessary to inform farm people of the availability of the program through the FmHA with the same provisions as existed in ASCS.

Informal indications are that legislation would be required to transfer this function to the FmHA. The FmHA funds its programs through either direct appropriation or under insured or guaranteed loan programs. The Farm Storage and Drying Equipment Loan Program receives its funding through the Commodity Credit Corporation (CCC). The authority for FmHA to draw upon CCC funds may require new legislation. It is contemplated that the FmHA would continue to draw funds for the program from CCC as is presently being done.

5. Program Results.

Program participation and results would not be significantly different under FmHA responsibility than now. However, FmHA does not have a full-time county office located in every county or county combination as applies to ASCS. There are approximately 1,750 full-time FmHA county offices currently in operation. Counties not serviced by full-time offices are, however, served on a part-time basis by offices which maintain office days usually once each week. This situation could mean--although not necessarily--that participation may be slightly lower than under current arrangements.

6. Personnel Impact.

Manpower needs would be affected only slightly relative to either agency involved--ASCS and FmHA. It is estimated this program now requires about 51 man-years, overall, to operate. This requirement is not highly significant in view of the normal workload carried by both agencies.

B. Operate Facility Loan Program in Conjunction with a Grain Reserve

1. Program Objectives.

The objective of such a program would be to provide financial assistance through loans to producers who desire to participate in any on-farm reserve program as may be instituted. Additional storage capacity beyond that consdered adequate for the farm would likely be needed to accommodate the on-farm storage needs of a producer-held grain reserve.

2. Legislative Authority.

No legislative change would be required to implement a facility loan program designed to provide financial assistance for the construction of storage facilities needed by producers desiring to participate in a grain reserve program. However, implementation of a grain reserve program would likely come about through new legislation.

3. Program Administration.

Whether there would exist a need for additional on-farm storage capacity to accommodate a reserve program is dependent upon various factors:

(a) How much of the existing on-farm capacity is in excess of a producer's normal needs;

(b) Extent to which producers would participate in a grain reserve program, and

(c) Provisions of the Reserve Program and level of the reserve.

If a grain reserve program were implemented and it was determined the existing facility loan program would not provide sufficient incentive to producers for the construction of needed storage capacity, several changes could be made to encourage such construction.

(d) Initiate a program as outlined in Section III, Option C (loan of 85 percent of net cost; concrete and wiring costs included in loan base; constant interest rate for loan period; maximum loan amount of $50,000; wet storage facilities eligible; and needs determination based on two years' production). If it were determined that provisions of Option C were not broad enough to meet the objectives of a grain reserve program, the following changes could be made:

(1) Increase amount of loan to 90 percent of the net cost of needed storage.

(2) Needs determination could be expanded beyond two years' production to include additional production determined necessary to meet objectives of reserve program.

(3) The interest rate on facility loans for the storage of reserve grain could be lowered to CCC's cost of borrowing or lower.

(4) The period of loan repayment could be extended to eight years instead of five years.

4. Program Results.

Table VIII indicated projected activity under provisions contained in Option C Alternative. If additional changes were made in the facility loan program as indicated above, activity under the program would likely increase significantly. However, increased activity would depend to a great extent on whether producers were willing to participate in a grain reserve program.

5. Personnel Impact.

Depending upon the volume of loan activity in some counties, an increase in manpower would be necessary. However, considering the national situation it is thought that the increase in manpower would be minimal.

6. Other Comments and Observations.

If a policy to create a reserve or to purposely withhold loan grain from the market is to be adopted, the commodity loan program could and should be used for such a purpose. The facility loan program can be tailored in several ways that will allow it to be utilized in the most effective manner along with the commodity loan program to attain established grain reserve objectives.

C. Guaranteed Loan Program

1. Program Objectives

To provide or underwrite a program which would provide financial assistance to farmers needing on-farm storage and drying facilities with a minimum of outlay of CCC funds.

2. Legistative Authority

New legistation would be required, otherwise to meet its legal obligations as prescribed by the CCC Charter Act, some provision (direct loan) would have to be made for those producers who could not obtain a loan from a private lender.

3. Program Administration

a. A guaranteed loan program would be administered under regulations issued by the Executive, Vice President, CCC, and carried out through the existing framework of the National office and State and County ASC Committees.

b. Eligible farmers would borrow directly from commercial financial institutions at locally prevailing interest rates for a portion of the cost of the facilities. Such farmers would locate a private lender willing to make the loan and apply to the lender for the loan. The lender would apply for guaranty to the ASCS county office having jurisdiction of the locality in which the facility would be located. The guarantee would cover a percentage of the loan. The ASCS county office would notify the lender of approval or disapproval of the loan for guaranty based on eligibility criteria established.

c. Eligibility requirements of producers, uses and use restriction (i.e., total storage capacity on farms as related to production, proportion of total cost to be guaranteed, type of structures and equipment, etc.), and reporting and record-keeping requirements for loan holders would be established by CCC as determined necessary to facilitate efficient and effective administration of the program.

d. General Program Guidelines

1. Approved Borrowers - as specified by CCC.

2. Approved Lenders as specified by CCC - Any Federal, or State chartered bank, Federal Land Bank, Production Credit Associations, Savings and Loan Associations, Building and Loan Associations, or other lenders approved by CCC.

3. Loan Making - Responsibility of Lender.

4. Loan Servicing - Responsibility of Lender.

5. Interest Rate - Between borrower and lender

6. Losses covered by CCC - Not to exceed 90% of the amount advanced to the borrower.

7. Program Monitoring by CCC - As necessary to insure interest of program is being met.

4. Program Results

a. Eliminates most of the outlay impact of the program from budget consideration (CCC would have to set-aside an equivalent borrowing authority as a "contingent liability", but the guaranteed loans would not be reflected as outlays).

b. Enables expansion or contraction of on-farm grain storage construction to be based more on programmatic objectives and less on budgetary considerations.

c. Increases the volume of commercial transactions in the private marketplace.

d. Eliminates completely any interest subsidy to farmers (even that subsidy defined as the difference between Treasury borrowing costs and commercial market rates).

e. Replaces a 100% government financed and operated program with a program financed and operated primarily by the private sector.

f. Generally farmers would have to pay higher interest rates than under the current program.

g. Farmers in some areas might have difficulty finding commercial loans, due to periods of tight credit, their financial condition, and availability of collateral to secure bank loans.

h. Conversely, commercial lending institutions in some areas might not want to commit much of their liquidity for a multi-year period (up to five years).

i. Since banks would not have to participate, the program might not be available in some areas.

j. Program would be more complex to administer.

k. One could expect a lesser capacity of on-farm facilities to be built under a guaranteed loan program than under a direct loan program and a greater amount to be built under a guaranteed program than with no program.

5. Personnel Impact.

Personnel requirements would not vary significantly from those of the present program, approximating 50 man-years.

D. Discontinue the Farm Storage and Drying Equipment Loan Progr[am]

1. Program Objectives.

The objectives of this program would be to encourage private sector financing of storage and drying facilities, and to eliminate government outlays for the farm storage and drying equipment loan program.

2. Legislative Authority.

Discontinuing the loan program would require amending section 4h of the CCC Charter Act.

3. Program Administration.

There would be no program administration if the loan program was discontinued.

4. Program Results.

Discontinuing the Farm Storage and Drying Equipment Loan Program would make farmers turn to other sources of credit for financing storage and drying facilities. These other credit sources include: (a) Farmers Home Administration, (b) Production Credit Associations, (c) banks, (d) commercial lending institutions, (e) private lenders, and (f) manufacturers of storage and drying equipment.

Some of the storage and drying facilities built with financing through this program would not be built if the program was discontinued because alternative sources of credit would not be available to all farmers. It is felt that other lending institutions would handle most of the increased demand for funds, although the conditions or terms of the loan may be somewhat different than what is offered under the present program.

Banks would probably pick up most of the increased demand for loans. Storage and drying equipment manufacturers who do not now offer financing programs could also conceivably develop their own financing packages.

If the loan program was discontinued, outlays would be reduced approximately $300 million over the next five years.

5. Personnel Impact.

With the present program about 50 man-years are required to service the storage and facility loans. Without a program this man-year requirement would be eliminated. However, because the loan program is a small part of total man-year requirements, there would likely be no impact on total employment in the agency.